

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Administrative Office	(2) MEETING DATE 11/25/2014	(3) CONTACT/PHONE Emily Jackson, Principal Administrative Analyst 781-5011	
(4) SUBJECT Review of the FY 2015-16 Budget Goals and Policies, Budget Balancing Strategies and Approaches, and Board Priorities. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board: <ol style="list-style-type: none"> 1. Review and approve the FY 2015-16 Budget Goals and Policies (Attachment 1). 2. Review and approve the budget balancing strategies and approaches that have been implemented by your Board over the past seven years (Attachment 2). 3. Provide staff with direction regarding any changes to the Board's priorities. 			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT N/A	(8) ANNUAL FINANCIAL IMPACT N/A	(9) BUDGETED? N/A
(10) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ____) <input checked="" type="checkbox"/> Board Business (Time Est. <u>20 min</u>)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date: _____	
(17) ADMINISTRATIVE OFFICE REVIEW Guy Savage			
(18) SUPERVISOR DISTRICT(S) All Districts			

County of San Luis Obispo



TO: Board of Supervisors

FROM: Emily Jackson, Principal Administrative Analyst

DATE: 11/25/2014

SUBJECT: Review of the FY 2015-16 Budget Goals and Policies, Budget Balancing Strategies and Approaches, and Board Priorities. All Districts.

RECOMMENDATION

It is recommended that the Board:

1. Review and approve the FY 2015-16 Budget Goals and Policies (Attachment 1).
2. Review and approve the budget balancing strategies and approaches that have been implemented by your Board over the past seven years (Attachment 2).
3. Provide staff with direction regarding any changes to the Board's priorities.

DISCUSSION

FY 2015-16 Budget Goals and Policies

Budget Goals and Policies are important because they help to institutionalize good financial management practices, clarify and crystalize strategic intent for financial management, define boundaries, support good bond ratings, promote longer-term strategic thinking, manage risks to financial condition, and comply with established public management best practices. Each year the Board of Supervisors adopts budget goals and policies to guide staff in the preparation of the proposed budget. Over the past several years, the Board has approved changes to its Budget Goals and Policies in an effort to strengthen the County's financial policies in accordance with the Government Finance Officers Association's (GFOA) recommended best practices on the adoption of financial policies. Following is a summary of the changes that have been made over the last several years:

- FY 2011-12
 - The Budget Goals and Policies were reorganized into five distinct categories including: Budget Development Policies, Financial Planning Policies, Revenue Policies, Expenditure Policies and Capital Project Policies to provide greater context for the policies.
 - The 'Debt Financing' policy was replaced with the addition of a comprehensive 'Debt Management' policy. A description of the 'Debt Management' policy is included in the Budget Goals and Policies.
 - A 'Balanced Budget' policy was added to outline the County's statutory responsibility to prepare a balanced budget annually.
 - An 'Ongoing Budget Administration' policy was added to outline the County's quarterly reporting process and opportunities for the Board to provide input on any strategies to mitigate potential budgetary issues throughout the year.
 - The 'Cost Recovery Through Fees' policy was amended to clarify the County's intent to review fees annually to ensure that they meet statutory requirements, fall within the range of fees being charged by comparator counties and achieve full cost recovery, as recommended by GFOA.
 - The 'Budget Process' policy was revised to provide additional information about how the County's budget is developed and to clarify the role of the Board, Administrative Office and other County Departments.

- The 'Discretionary Programs' policy was revised to clarify that funding requests for discretionary programs will reflect departmental priorities.
- FY 2012-13
 - A 'Long-Term Financial Planning' policy was added to reflect the financial forecast that is presented to the Board each October.
 - A 'Funding of Reserves/Contingencies/Designations' policy was added to reflect the County's balanced approach to funding reserves and building back programs that have been scaled back due to budgetary constraints.
 - Revisions to the criteria outlined in the Capital Project Policies section were made to reflect updates to capital project criteria that had been approved by the Board previously.
- FY 2013-14- No changes were made.
- FY 2014-15
 - A 'Funding of Self Insurance Internal Service Fund Reserves' policy was added, to establish the County's intent to continue to set charges to departments to maintain healthy reserves, so that the County can assure that it is able to cover expenses incurred in any of the Self Insurance programs.

In the past three years, the County has received positive feedback on these changes from peers who reviewed the County's FY 2011-12, FY 2012-13 and FY 2013-14 Final Budget Documents for the GFOA Distinguished Budget Presentation Award. At this time, staff believes that the existing Budget Goals and Policies provide adequate framework for budget development as we move into a healthier fiscal climate. As such, no changes are being proposed to the Board's Budget Goals and Policies for FY 2015-16.

Budget Balancing Strategies and Approaches

For the past seven years, the County has adhered to a set of Budget Balancing Strategies and Approaches which guided the Board and staff in closing a significant structural budget gap as a result of the recent economic downturn. The utilization of these solid and tested budget principles and practices has served the County well, and as a result, we have largely been able to avoid the drastic cuts to programs, services, and staff that other counties have faced.

Despite the County's strong financial position moving into FY 2015-16, it is important that the County have identified preferences for strategies and approaches that may be utilized to address budget gaps in future years. As a result, it is recommended that the Board again review and reaffirm the Budget Balancing Strategies and Approaches that have been utilized over the past seven years.

Board Priorities

On October 14, 2014, staff presented the FY 2015-16 Financial Forecast to the Board. During that discussion, it was indicated that the Board would discuss its FY 2015-16 priorities at the same time that the FY 2015-16 Budget Goals and Policies and Budget Balancing Strategies and Approaches were considered.

Currently the Board's priorities are as follows (in order):

- Meet legal mandates
- Meet debt service requirements
- Public Safety- defined as:
 - Sheriff-Coroner (fund center 136)
 - District Attorney (fund center 13201)
 - Probation (fund center 139)
 - County Fire (fund center 140)

OTHER AGENCY INVOLVEMENT/IMPACT

All County departments will utilize the Budget Goals and Policies, Budget Balancing Strategies and Approaches and Board Priorities in the preparation of the FY 2015-16 budget.

FINANCIAL CONSIDERATIONS

There is no financial impact directly associated with the adoption of the Budget Goals and Policies and Budget Balancing Strategies and Approaches. However, it should be noted that the establishment of sound fiscal policies has, and will continue to have a positive impact on the County's long term fiscal health by helping to frame resource allocation decisions. The establishment of Board priorities helps to guide development of the budget and decisions about funding levels for various programs and services.

RESULTS

The approval of the FY 2015-16 Budget Goals and Policies, Budget Balancing Strategies and Approaches, and Board Priorities will contribute to the development of a Proposed Budget document that reflects the goals and policies of the Board of Supervisors and will provide a framework for the continued creation of a spending plan that focuses on measurable results and high performance.

ATTACHMENTS

1. FY 2015-16 Budget Goals and Policies
2. FY 2015-16 Budget Balancing Strategies and Approaches